No. 12403

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

WILLIAM J. DUBIL, EDWARD J. HUBIK and EARL F. SHORES,

Appellants,

vs.

RAYFORD CAMP & CO., and RAYFORD CAMP,

Appellees.

BRIEF OF AMICI CURIAE.

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BRIEF OF AMICI CURIAE.

(a) The Reasons for the Filing of This Brief.

In 1946, Congress amended the patent statute, 35 USCA 70, to provide that:

> ". . . The Court may in its discretion award reasonable attorney's fees to the prevailing party upon the entry of judgment on any patent case."

While in many cases in this District, attorney's fees have not been allowed, except as against a party who litigated in bad faith, some of the District Judges have made it a practice to award attorney's fees *as a general thing,* even though the losing party acted in good faith in prosecuting or defending the action.

This last-mentioned practice poses the threat of barring the Courts to any but wealthy patent litigants. To suffer an adverse judgment for an opponent's attorneys' fees is a penalty which is of little moment to a wealthy litigant. But all patent litigants are not wealthy. To many, such a judgment means the difference between bankruptcy and continued solvency, and we should not have a situation in which such a litigant cannot, in good faith, take his patent controversy to Court without risking ruin if he loses the case. Typical of such litigants is the small manufacturer struggling to build a business around a limited patent protection which the Government has granted him. The law should be construed uniformly, however. It should be construed to give the Courts the discretionary power to penalize a patent litigant, whether he be rich or poor, if he is guilty of bad faith; *but, in the absence of a clear showing of bad faith, he should not be penalized for taking his case to Court.*

It is submitted that the award of attorney's fees against a losing plaintiff or defendant, like the increase of damages allowed by 35 U. S. C. A. Sec. 70, is a penalty, and that the safeguards which the Courts have set up to prevent unjust increases in damage awards should also surround the award of attorney's fees. There are, of course, many cases in which an award of attorney's fees is quite proper. For instance, there is the case in which the plaintiff-patentee clearly brings the suit for harassment or as a tool of unfair competition; and there is the case of the defendant who deliberately copies his competitor's patented

article without sound reason; or the case in which, *because of the further 1946 amendment restricting recoveries to general damages,* the defendant deliberately infringes because he feels that he will only be held liable for such damages and may not be held liable for his profits.

On the other hand, there is the case in which a plaintiff-patentee has ample reason to believe his patent to be valid and infringed; and there is the case in which the defendant innocently engaged in the act charged to infringe, or had good reason to believe he did not infringe. Such a litigant should not be penalized.

(b) The Framers of Our Constitution Never Intended That a Patentee Should Be Penalized When, in Good Faith, He Asks a Court to Interpret and Enforce His Patent.

The purpose of the constitutional foundation for our patent statute was to encourage invention, not to discourage it. The learned judges and the skilled Patent Office examiners often disagree as to whether the patented subject-matter involves invention or ordinary mechanical skill. When the Patent Office grants a patent, it is, according to the statute, presumptively valid. That should be ample assurance for the patentee, *in good faith,* to submit the patent to the Courts without fear of penalty if the Courts disagree with the Patent Office. Any other interpretation of the amended patent statute is bound, in time, to discourage invention.

(c) Congress Never Intended That the Amendment to the Statute Should Result in Penalizing Patent Litigants Who Act in Good Faith.

This is made clear by the Committee Reports of Congress. For instance, Senate Report No. 1503, June 14, 1946, adopted from a report of the House Committee on Patents, reads as follows:

> "By the second amendment the provision relating to attorney's fees is made discretionary with the court. It is not contemplated that the recovery of attorney's fees will become an ordinary thing in patent suits, but the discretion given the court in this respect, in addition to the present discretion to award triple damages, will discourage infringement of a patent by anyone thinking that all he would be required to pay if he loses the suit would be a royalty. The provision is also made general so as to enable the court to prevent a gross injustice to an alleged infringer."

(d) Award of Attorney's Fees Generally Is Contrary to Public Policy.

In discussing award of attorney's fees in patent cases, prior to the 1946 amendment, the Supreme Court said, in *Oelrichs v. Williams,* 82 U. S. 211, 21 L. Ed. 43:

> ". . . It is the settled rule that counsel fees cannot be included in the damages to be recovered for the infringement of a patent. Teese v. Huntingdon, 23 How. 2 (64 U. S., XVI, 479); Whittemore v. Cutter, 1 Gall. 429; Stimpson v. The Railroads, 1 Wall., Jr., 164 . . ." (p. 45).

". . . In debt, covenant and assumpsit damages are recovered, but counsel fees are never included. So in equity cases, where there is no injunction bond, only the taxable costs are allowed to the complainants. The same rule is applied to the defendant, however unjust the litigation on the other side, and however large the *expensa litis* to which he may have been subjected. The parties in this respect are upon a footing of equality. There is no fixed standard by which the honorarium can be measured. Some counsel demand much more than others. Some clients are willing to pay more than others. More counsel may be employed than are necessary. When both client and counsel know that the fees are to be paid by the other party there is danger of abuse. A reference to a master, or an issue to a jury, might be necessary to ascertain the proper amount, and this grafted litigation might possibly be more animated and protracted than that in the original cause. It would be an office of some delicacy on the part of the court to scale down the charges, as might sometimes be necessary.

'We think the principle of disallowance rests on a solid foundation, and that the opposite rule is forbidden by the analogies of the law and sound public policy.' (p. 45.)"

Therefore, the Courts should be careful to confine award of attorney's fees to those cases in which the losing litigant is shown to be guilty of bad faith. Any other interpretation of the 1946 amendment is contrary to sound public policy.

Shaw v. Merchants National Bank, 101 U. S. 575, 25 L. Ed. 892.

(e) Further Precedent for the Contention Urged Here Is Found in the Court's Interpretation of the Attorney's Fees Provision of the Copyright Statute.

The Copyright Statute, 17 U. S. C. A. 40, contains a similar provision. Attorney's fees are often awarded in copyright infringement cases, because "copying" is an essential element of infringement, and the probability that "copying" is inadvertent or innocent is very small. However, an examination of the copyright decisions shows that, where there are extenuating circumstances which disclose a lack of bad faith on the part of the infringer or on the part of the plaintiff copyright owner, the Courts generally have refused an award of attorney's fees.

Buck v. Bilkie, 65 F. 2d 447 (9th Cir.).

(f) Courts in Other Circuits Generally Follow the Intent of Congress in Construing the 1946 Amendment.

A careful review of the decisions in other Circuits shows that those Courts have generally construed the 1946 amendment in accordance with the intent of Congress as set forth in Senate Report No. 1503 quoted hereinabove.

After reviewing extensively the judicial interpretation of the provision permitting attorneys' fees in copyright cases and reasoning from such construction to interpret the new patent provision, the Court in *National Brass Co. v. Michigan Hardware Co.,* 76 U. S. P. Q. 186 (D. C., W. D. Mich. 1948), concluded:

> "A careful review of the pleadings, testimony ,and circumstances in the present case clearly indicates that it was the usual and ordinary suit for infringement of patent and that it was instituted in good faith and

vigorously prosecuted. The court finds no evidence indicating bad faith or dilatory, harassing or vexatious tactics on the part of the plaintiff. There appear to be no special circumstances and no equitable considera-itons which would justify an award of attorneys' fees to the defendant . . ." (p. 187).

In *Juniper Mills, Incorporated v. J. W. Landenberger & Co.,* 76 U. S. P. Q. 300 (D. C., E. D. Pa. 1948), Judge Kirkpatrick, on plaintiff's motion for an award of attorneys' fees, stated:

> "It has never been supported that counsel fees are normally allowable to a successful party as part of the costs. In most, if not all, cases, where statutory authority has been given to the court to allow them, the intention has been to make the allowance something in the nature of a penalty for some sort of unfair, oppressive or fraudulent conduct on the part of the losing party. I think this was the reason why the 1946 amendment made the award discretionary with the court and I believe the court should not award an attorney's fee as costs in an ordinary normal patent case" (p. 300).

Similarly, in the case of *Lincoln Electric Co. v. Linde Air Products Co.,* 74 Fed. Supp. 293 (D. C., N. D. Ohio, 1947) (75 U. S. P. Q. 267), the Court held that in an ordinary patent action an award to the prevailing defendant was not authorized by the statute:

> ". . . It is apparent from the wording of the statute and its history that an award of attorneys' fees